



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
WEBSTER COUNTY
SHERIFF'S SETTLEMENT – 1998 TAXES**

July 19, 1999

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable James R. Townsend, Webster County Judge/Executive

Honorable Kenneth Storey, Webster County Sheriff

Members of the Webster County Fiscal Court

The enclosed report prepared by Donna Bouvier, Certified Public Accountant, presents the Webster County Sheriff's Settlement – 1998 Taxes.

We engaged Donna Bouvier, CPA, to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Donna Bouvier, CPA, evaluated the Webster County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

AUDIT REPORT OF
WEBSTER COUNTY
SHERIFF'S SETTLEMENT-1998 TAXES

July 19, 1999

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT-1998 TAXES	3
NOTES TO FINANCIAL STATEMENT	5
COMMENTS AND RECOMMENDATIONS	7
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	8

To the People of Kentucky
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Independent Auditor's Report

I have audited the Webster County Sheriff's Settlement-1998 Taxes as of July 19, 1999. This tax settlement is the responsibility of the Webster County Sheriff. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In my opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Webster County Sheriff's taxes charged, credited, and paid as of July 19, 1999, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky
Honorable Paul Patton, Governor
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Honorable Kenneth Storey, Webster County Sheriff
Members of the Webster County Fiscal Court
(Continued)

Based on the results of my audit, I have presented Comments and Recommendations, included herein, which discusses the following areas of noncompliance:

- The Sheriff Should Pay Interest Earned On School Taxes Monthly.
- The Sheriff Should Report And Pay Taxes By The 10th Of Each Month.

In accordance with Government Auditing Standards, I have also issued a report dated November 23, 1999, on my consideration of the Webster County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Donna Bouvier
Certified Public Accountant

November 23, 1999

WEBSTER COUNTY
KENNETH STOREY, SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES

July 19, 1999

	County	Special	School	State
	Taxes	Taxing	Taxes	Taxes
		Districts		
<u>Charges</u>				
Real Estate	\$ 427,664	\$ 215,996	\$ 1,072,360	\$ 382,865
Tangible Personal Property	81,584	53,530	211,871	197,759
Intangible Personal Property	-	-	-	19,529
Fire Protection	1,352	-	-	-
Franchise Corporation	177,840	67,272	296,685	-
Oil/Gas/Undeveloped	4,461	2,165	11,452	3,991
Additional Billings	263	128	662	235
Increased Through Erroneous				
Assessments	358	174	879	443
Penalties	6,395	3,181	15,925	5,966
Adjusted to Sheriff's Receipt	171	133	-	317
Gross Chargeable to Sheriff	\$ 700,088	\$ 342,579	\$ 1,609,834	\$ 611,105
<u>Credits</u>				
Discounts	\$ 8,175	\$ 3,761	\$ 17,544	\$ 8,885
Exonerations	4,245	2,074	9,891	3,937
Delinquents:				
Real Estate	14,750	7,239	35,394	13,186
Tangible Personal Property	72	47	178	185
Total Credits	\$ 27,242	\$ 13,121	\$ 63,007	\$ 26,193

(a), (b), and (c) See Page 4

WEBSTER COUNTY
KENNETH STOREY, SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES
July 19, 1999
(Continued)

Net Tax Yield	\$ 672,846	\$ 329,458	\$ 1,546,827	\$ 584,912
Less: Commissions (a)	28,884	14,003	54,139	25,146
Net Taxes Due	\$ 643,962	\$ 315,455	\$ 1,492,688	\$ 559,766
Taxes Paid	642,061	314,576	1,487,808	557,906
Refunds (Current and Prior Year)	1,959	922	5,037	1,930
Refunds Due Sheriff as of				
Completion of Fieldwork	\$ (58)	\$ (43)	\$ (157)	\$ (70)
		(b)	(c)	

(a) Commissions

10% on \$ 10,000
4.25% on \$1,577,216
3.5% on \$1,546,827

(b) Special Taxing Districts:

Library District \$ (15)
Health District (9)
Extension District (16)
Watershed II (3)

Refunds Due Sheriff \$ (43)
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(c) School Districts:

Webster County \$(158)
Providence Independence 1

Refunds Due Sheriff \$(157)
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The accompanying notes are an integral part of the financial statement.

NOTES TO FINANCIAL STATEMENT

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT

July 19, 1999

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, Kentucky Revised Statute 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT
SHERIFF'S SETTLEMENT - 1998 TAXES
July 19, 1999
(Continued)

NOTE 2: DEPOSITS

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff met the requirements stated above, and as of July 19, 1999, deposits were fully insured or collateralized at a 100% level with collateral held by the county official's agent in the county official's name.

NOTE 3: PROPERTY TAXES

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 1, 1998, through March 26, 1999.

NOTE 4: INTEREST INCOME

The Webster County Sheriff earned \$2,494 as interest income on 1998 taxes. The Sheriff distributed the appropriate amount to the school districts as required by statute. However, he did not distribute interest to the school districts on a monthly basis, which is discussed in the comments and recommendations. The remainder of interest will be used to operate the Sheriff's office.

WEBSTER COUNTY
KENNETH STOREY, SHERIFF
COMMENTS AND RECOMMENDATIONS

July 19, 1999

STATE LAWS AND REGULATIONS:

1. The Sheriff Should Pay Interest To School Districts Monthly.

KRS 134.140(3)(b) states that at the time of his monthly distribution of taxes to the district board of education, the Sheriff shall pay to the board of education that part of his investment earnings for the month which is attributable to the investment of school taxes. I recommend that the Sheriff comply with KRS 134.140(d)(b).

Management's Response:

Sheriff will pay interest monthly to school districts in compliance with KRS 134.140(3)(b).

2. Sheriff Should Report and Pay Taxing District By The Tenth (10th) Of Each Month For Tax Collections Of Preceding Month.

KRS 134.300 states that the Sheriff shall, by the tenth day of each month, report the amount of taxes he has collected during the month preceding. I recommend that the Sheriff file monthly tax reports on a timely basis.

Management's Response:

Sheriff will prepare monthly tax reports on a timely basis.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable James R. Townsend, County Judge/Executive
Honorable Kenneth Storey, Webster County Sheriff
Members of the Webster County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

I have audited the Webster County Sheriff's Settlement-1998 Taxes as of July 19, 1999, and have issued my report thereon dated November 23, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Webster County Sheriff's Settlement - 1998 Taxes as of July 19, 1999, is free of material misstatement, I performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the Comments and Recommendations as items #1 and #2.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Webster County Sheriff's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statement and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Honorable James R. Townsend, County Judge/Executive
Honorable Kenneth Storey, Webster County Sheriff
Members of the Webster County Fiscal Court
Report On Compliance And On Internal Control Over
Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

Donna Bouvier
Certified Public Accountant

November 23, 1999